

**FRIENDS OF KEXP  
dba KEXP-FM**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015 AND 2014**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Friends of KEXP  
Seattle, Washington

We have audited the accompanying financial statements of Friends of KEXP dba KEXP-FM (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEXP-FM as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones & Associates LLC, CPAs*

Jones & Associates, LLC CPAs  
May 19, 2016

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**FRIENDS OF KEXP dba KEXP-FM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,382,938	\$ 1,574,422
Cash restricted for capital campaign	309,045	1,953,404
Certificates of deposit	254,294	253,506
Business support receivables, net	376,323	374,391
Pledges receivable, net	7,102,522	4,455,405
Prepaid expenses and inventory	74,195	44,094
Property and equipment, net	9,147,096	1,421,257
Intangible assets	3,885,487	3,885,487
	\$ 22,531,900	\$ 13,961,966
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 997,482	\$ 382,809
Payroll liabilities	595,413	304,817
Line of credit	3,783,659	-
Payable to University of Washington	3,855,134	4,172,745
	9,231,688	4,860,371
 <b>NET ASSETS</b>		
Unrestricted	10,740,771	2,916,589
Temporarily restricted	2,559,441	6,232,189
	13,300,212	9,148,778
	\$ 22,531,900	\$ 14,009,149

**FRIENDS OF KEXP dba KEXP-FM**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>OPERATING SUPPORT AND REVENUE</b>			
Contributions	\$ 6,606,376	\$ 1,362,372	\$ 7,968,748
Advertising	323,034	-	323,034
Retail sales	11,231	-	11,231
Other revenue	1,356	-	1,356
	<u>6,941,997</u>	<u>1,362,372</u>	<u>8,304,369</u>
Net assets released from restrictions			
Satisfaction of program requirements	270,334	(270,334)	-
Passage of time requirements	1,435,164	(1,435,164)	-
Total operating support and revenues	<u>8,647,495</u>	<u>(343,126)</u>	<u>8,304,369</u>
<b>OPERATING EXPENSES</b>			
Program services	4,522,748	-	4,522,748
Management and general	603,380	-	603,380
Fundraising	2,543,541	-	2,543,541
	<u>7,669,669</u>	<u>-</u>	<u>7,669,669</u>
Change in net assets before non-operating activity	977,826	(343,126)	634,700
<b>NON-OPERATING ACTIVITY</b>			
Capital campaign contributions	-	5,723,950	5,723,950
Capital campaign expenses	(2,207,216)	-	(2,207,216)
Satisfaction of capital campaign restrictions	9,053,572	(9,053,572)	-
Change in net assets	7,824,182	(3,672,748)	4,151,434
<b>NET ASSETS</b>			
Beginning of the year	2,916,589	6,232,189	9,148,778
End of the year	<u>\$ 10,740,771</u>	<u>\$ 2,559,441</u>	<u>\$ 13,300,212</u>

**FRIENDS OF KEXP dba KEXP-FM  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>OPERATING SUPPORT AND REVENUE</b>			
Contributions	\$ 6,319,077	\$ 512,548	\$ 6,831,625
Advertising	295,151	-	295,151
Ticketed events	50,924	-	50,924
Retail sales	7,841	-	7,841
Other revenue	291	-	291
	<u>6,673,284</u>	<u>512,548</u>	<u>7,185,832</u>
Net assets released from restrictions			
Satisfaction of program requirements	372,787	(372,787)	-
Passage of time requirements	218,520	(218,520)	-
Total operating support and revenues	<u>7,264,591</u>	<u>(78,759)</u>	<u>7,185,832</u>
<b>OPERATING EXPENSES</b>			
Program services	4,606,443	-	4,606,443
Management and general	239,366	-	239,366
Fundraising	2,363,102	-	2,363,102
	<u>7,208,911</u>	<u>-</u>	<u>7,208,911</u>
Change in net assets before non-operating activity	55,680	(78,759)	(23,079)
<b>NON-OPERATING ACTIVITY</b>			
Capital campaign contributions	-	3,114,841	3,114,841
Capital campaign expenses	(900,859)	-	(900,859)
Satisfaction of capital campaign restrictions	1,048,955	(1,048,955)	-
Change in net assets	203,776	1,987,127	2,190,903
<b>NET ASSETS</b>			
Beginning of the year	2,712,813	4,245,062	6,957,875
End of the year	<u>\$ 2,916,589</u>	<u>\$ 6,232,189</u>	<u>\$ 9,148,778</u>

**FRIENDS OF KEXP dba KEXP-FM  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015**

	Program Services	Support Services			Total
		Management and General	Fund- raising	Total	
Salaries	\$ 2,387,324	\$ 368,543	\$ 1,173,815	\$ 1,542,358	\$ 3,929,682
Employee benefits	387,757	72,406	234,465	306,871	694,628
Payroll taxes	183,859	27,587	100,663	128,250	312,109
Total payroll and related	<u>2,958,940</u>	<u>468,536</u>	<u>1,508,943</u>	<u>1,977,479</u>	<u>4,936,419</u>
Legal	36,621	6,614	6,056	12,670	49,291
Accounting	926	20,132	-	20,132	21,058
Fundraising and other	430,291	22,685	1,107,891	1,130,576	1,560,867
Total fees for service	<u>467,838</u>	<u>49,431</u>	<u>1,113,947</u>	<u>1,163,378</u>	<u>1,631,216</u>
Information technology	1,179,688	41,922	60,849	102,771	1,282,459
Depreciation and amortization	324,506	6,253	13,515	19,768	344,274
Office	61,135	12,442	247,010	259,452	320,587
Occupancy	521,825	71,712	157,951	229,663	751,488
Performances	140,314	-	-	-	140,314
Premiums	-	-	71,116	71,116	71,116
Human resource administration	35,490	28,991	12,269	41,260	76,750
Travel	25,210	3,070	22,490	25,560	50,770
Dues and subscriptions	39,996	260	2,518	2,778	42,774
Fundraising supplies	-	-	59,376	59,376	59,376
Research	48,022	942	-	942	48,964
Printing and design	878	58	16,951	17,009	17,887
Meetings	1,254	955	2,045	3,000	4,254
Vehicle donation fees	-	-	24,906	24,906	24,906
Insurance	19,313	2,513	5,201	7,714	27,027
Advertising and promotion	39,913	2	2,422	2,424	42,337
Collections and acquisitions	3,967	-	-	-	3,967
	<u>5,868,289</u>	<u>687,087</u>	<u>3,321,509</u>	<u>4,008,596</u>	<u>9,876,885</u>
Less capital campaign expenses	<u>(1,345,541)</u>	<u>(83,707)</u>	<u>(777,968)</u>	<u>(861,675)</u>	<u>(2,207,216)</u>
	<u>\$ 4,522,748</u>	<u>\$ 603,380</u>	<u>\$ 2,543,541</u>	<u>\$ 3,146,921</u>	<u>\$ 7,669,669</u>

**FRIENDS OF KEXP dba KEXP-FM  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014**

	Program Services	Support Services			Total
		Management and General	Fund- raising	Total	
Salaries	\$ 2,105,824	\$ 259,694	\$ 1,087,974	\$ 1,347,668	\$ 3,453,492
Employee benefits	331,858	64,078	199,659	263,737	595,595
Payroll taxes	186,110	21,770	94,474	116,244	302,354
Total payroll and related	<u>2,623,792</u>	<u>345,542</u>	<u>1,382,107</u>	<u>1,727,649</u>	<u>4,351,441</u>
Legal	34,193	14,199	-	14,199	48,392
Accounting	-	24,682	-	24,682	24,682
Fundraising and other	502,476	5,921	1,054,850	1,060,771	1,563,247
Total fees for service	<u>536,669</u>	<u>44,802</u>	<u>1,054,850</u>	<u>1,099,652</u>	<u>1,636,321</u>
Information technology	573,306	17,072	49,590	66,662	639,968
Depreciation and amortization	344,725	860	2,674	3,534	348,259
Office	42,088	6,281	224,722	231,003	273,091
Occupancy	149,743	12,371	40,584	52,955	202,698
Performances	102,443	-	6,822	6,822	109,265
Premiums	-	-	98,654	98,654	98,654
Human resource administration	36,620	27,617	14,078	41,695	78,315
Travel	31,208	2,381	32,483	34,864	66,072
Dues and subscriptions	50,202	433	3,127	3,560	53,762
Fundraising supplies	-	-	47,511	47,511	47,511
Research	45,444	-	-	-	45,444
Printing and design	4,095	55	35,559	35,614	39,709
Meetings	29,350	2,562	7,783	10,345	39,695
Vehicle donation fees	-	-	35,219	35,219	35,219
Insurance	15,083	1,580	4,911	6,491	21,574
Advertising and promotion	18,517	7	1,090	1,097	19,614
Collections and acquisitions	3,158	-	-	-	3,158
	<u>4,606,443</u>	<u>461,563</u>	<u>3,041,764</u>	<u>3,503,327</u>	<u>8,109,770</u>
Less capital campaign expenses		<u>(222,197)</u>	<u>(678,662)</u>	<u>(900,859)</u>	<u>(900,859)</u>
	<u>\$ 4,606,443</u>	<u>\$ 239,366</u>	<u>\$ 2,363,102</u>	<u>\$ 2,602,468</u>	<u>\$ 7,208,911</u>

**FRIENDS OF KEXP dba KEXP-FM**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 5,661,578	\$ 4,195,175
Cash received from other revenue	335,621	354,207
Cash paid for interest	3,659	-
Cash paid to employees and suppliers	(4,755,914)	(5,013,547)
	1,244,944	(464,165)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(788)	(807)
Purchase of property and equipment	(3,753,986)	(195,665)
	(3,754,774)	(196,472)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Prepayment of payable to University of Washington	(25,001)	-
Proceeds from contributions less costs for capital campaign	651,805	1,868,859
	626,804	1,868,859
 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,883,026)	1,208,222
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	3,575,009	2,366,787
End of the year	\$ 1,691,983	\$ 3,575,009
 <b>SUPPLEMENTAL DISCLOSURE - NONCASH</b>		
Acquisition of property and equipment with accounts payable	\$ 399,085	\$ -
Acquisition of property and equipment with line of credit	\$ 3,780,000	\$ -
Acquisition of intangible assets and property and equipment by issuance of University sponsorship obligation	\$ -	\$ 4,001,100



**FRIENDS OF KEXP dba KEXP-FM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Friends of KEXP, dba KEXP-FM (KEXP), is a not-for-profit corporation organized in 2001 for the purpose of operating a radio station, and currently operates as an arts organization, including the station. KEXP'S mission is to enrich people's lives by championing music and discovery. Receipts are derived primarily from contributions from the organization's general audience.

**Related Entity** – KEXP is an affiliate of the University of Washington (the University), a public university in Washington State. The University has neither majority ownership nor majority voting interest. Therefore, KEXP's financial information is not consolidated with the University.

Until 2014, the University held the Federal Communications Commission license (FCC License) for the broadcast frequency of 90.3 FM, which KEXP operated on behalf of the University through a long-term management agreement (the Management Agreement). In 2014, KEXP was assigned the rights to the FCC License and other intangible assets from the University (see Note 10).

In 2014, at the time the FCC license was transferred, the Management Agreement was replaced with a new cooperation agreement (the Cooperation Agreement) to reflect changes in the relationship between the University and KEXP. The Cooperation Agreement reflects the affiliation between KEXP and the University, including that KEXP's individual donor revenue is counted towards the University's fundraising goals, and that one member of KEXP's Board of Directors is an officer of the University. In addition, the University provides support for KEXP's operations, including connectivity to the University network and infrastructure, engineering staff and services, technical support and maintenance, and fundraising staff and services. Finally, as part of the agreement, KEXP provides on-air underwriting and online advertising services for the University.

**New Location Capital Campaign** – KEXP is conducting a multi-year capital campaign (the Capital Campaign) with the goal of building a new home at the Seattle Center. The new location will offer flexible indoor and outdoor spaces to accommodate more performances and events with more public participation. The new location will include spaces for musicians to recharge, create and connect and will include up-to-date equipment that will support the best possible programming.

**Basis of Accounting and Presentation** – The financial statements of KEXP have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

**FRIENDS OF KEXP dba KEXP-FM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Temporarily restricted – Net assets whose use by KEXP is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Organization pursuant to those stipulations. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Restricted support and revenue received during the year for which restrictions have been satisfied in the same year are recorded as unrestricted support and revenue.

Permanently restricted – Net assets whose use by KEXP is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of KEXP. There were no permanently restricted net assets at December 31, 2015 and 2014.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, KEXP considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At times, cash and cash equivalents may exceed federally insured limits. KEXP has not experienced any losses related to this concentration.

KEXP has collected cash from donors for the Capital Campaign. Cash collected and unspent is presented as cash restricted for Capital Campaign on the statement of financial position.

**Certificates of Deposit** – At December 31, 2015 and 2014, KEXP held several certificates of deposit which are carried at cost plus accrued interest.

**Business Support Receivables** – Business support receivables are composed of receivables related to underwriting, sponsorships, and advertising support. An allowance for uncollectible balances has been established by management based upon the KEXP's historical experience in the collection of balances due.

**Pledges Receivable** – Pledges receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using donor specific risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible balances has been established by management based upon the KEXP's historical experience in the collection of balances due.

**FRIENDS OF KEXP dba KEXP-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment** – All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals and betterments in excess of \$5,000 that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of three to ten years.

**Intangible Assets** – In 2014, KEXP capitalized the FCC License and other intangible assets including a trademark, domain name, and other intellectual property, at cost acquired in exchange for a sponsorship obligation to the University. The FCC License and other intangible assets are considered indefinite-lived assets and thus not amortized, but reviewed on an annual basis for any possible impairment. Management determined there were no events or changes in circumstance indicating an impaired value of the FCC License and other intangible assets at December 31, 2015 and 2014.

**Revenue Recognition** – Contributions include individual donor gifts, corporate and foundation grants, underwriting and sponsorship support, and gifts for the Capital Campaign. Underwriting and sponsorships are reported as support and revenue when the conditions of the agreements are met, that is when the related underwriting and sponsorship spots are run in programming.

Advertising support and revenue is recognized in the period the advertising occurs.

**Donated Goods, Facilities and Services** – KEXP receives in-kind contributions in return for sponsorship of its radio programming. Donations of goods and facilities include supplies, equipment, software and program and office space and are recorded as revenue at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions are included in contributions support and revenue on the statement of activities.

**Advertising Costs** – Advertising costs are expensed as incurred.

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**FRIENDS OF KEXP dba KEXP-FM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Income Tax Status** – KEXP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. KEXP qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). Taxable unrelated business income includes on-line advertising.

KEXP files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. KEXP is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

**Subsequent Events** – Subsequent events were evaluated through the independent auditors’ report date, which is the date the financial statements were available to be issued.

**Note 2 – Cash Flow Information**

The following reconciles the change in net assets to net cash provided (used) by operating activities for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 4,151,434	\$ 2,190,903
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions less costs restricted for capital campaign	(3,516,734)	(2,213,982)
Sponsorships provided to the University in lieu of obligation repayment	(292,610)	(78,355)
Donated property	(133,383)	(41,746)
Depreciation and amortization	344,274	348,259
Change in:		
Business support receivables, net	(1,932)	(28,950)
Pledges receivable, net	217,812	(676,167)
Prepaid expenses and inventory	(30,101)	8,176
Accounts payable and accrued expenses	215,588	(9,501)
Payroll liabilities	290,596	37,198
	<u>\$ 1,244,944</u>	<u>\$ (464,165)</u>

**FRIENDS OF KEXP dba KEXP-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 3 – Pledges and Business Support Receivables**

Pledges and business support receivables consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Pledges receivable for operations	\$ 1,771,037	\$ 1,965,823
Capital campaign receivables	5,450,256	2,631,976
Business support receivables	376,323	374,391
	<u>7,597,616</u>	<u>4,972,190</u>
Allowance for uncollectible receivables	(87,778)	(64,621)
Discount at 0.75% to 1.00%	(30,993)	(77,773)
	<u>\$ 7,478,845</u>	<u>\$ 4,829,796</u>
Gross receivables due in one year or less	\$ 6,401,963	\$ 3,471,869
Gross receivables due in one to five years	1,195,653	1,500,321
	<u>\$ 7,597,616</u>	<u>\$ 4,972,190</u>

**Note 4 – Property and Equipment**

Property and equipment consists of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 8,258,725	\$ -
Software	1,110,210	1,110,210
Operating equipment	585,107	275,230
Digital library	311,842	-
Computers	47,183	47,183
	<u>10,313,067</u>	<u>1,385,440</u>
Less: accumulated depreciation	(1,209,471)	(865,245)
	<u>9,103,596</u>	<u>520,195</u>
Capital campaign leasehold improvements in process	-	806,309
Work in process	43,500	94,753
	<u>\$ 9,147,096</u>	<u>\$ 1,421,257</u>

**FRIENDS OF KEXP dba KEXP-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**Note 5 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are included in cash and cash equivalents, cash restricted for capital campaign, pledges and business support receivables and consist of the following programs and purposes at December 31:

	<u>2015</u>	<u>2014</u>
For future operations	\$ 1,371,107	\$ 1,443,899
Capital campaign	1,139,946	4,469,568
Other operations	27,939	40,087
Donated software	20,449	221,695
Underwriting support	-	56,940
	<u>\$ 2,559,441</u>	<u>\$ 6,232,189</u>

**Note 6 – In-Kind Contributions**

In-kind contributions consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Donated goods	\$ 569,813	\$ 231,998
Donated services	1,456,057	1,597,774
Donated facility usage	204,570	52,156
	<u>\$ 2,230,440</u>	<u>\$ 1,881,928</u>

Related in-kind expenses consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Program services related	\$ 685,065	\$ 827,239
Management and general related	20,556	19,381
Fundraising related	1,098,826	993,562
	<u>\$ 1,804,447</u>	<u>\$ 1,840,182</u>

The difference between in-kind revenue and in-kind expense in 2015 is due to capitalized donated property and equipment of \$133,383 and donated pay down of the FCC license (see Note 10) of \$292,610. The difference between in-kind revenue and in-kind expense in 2014 is due to capitalized donated property and equipment of \$41, 746.

**FRIENDS OF KEXP dba KEXP-FM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 7 – Concentration**

One source composed 11% and 14% of total support and revenue in the years ended December 31, 2015 and 2014, respectively. KEXP has not experienced a loss related to these concentrations.

**Note 8 – Commitments**

KEXP signed a lease for space at the Seattle Center that expires in 2025. The lease requires a combination of cash payments and sponsorships provided to the landlord over the life of the lease. Future minimum cash and sponsorship payments under this lease are as follows for the years ending December 31:

	Cash	Sponsorships	Total
2016	\$ 62,500	\$ 247,000	\$ 309,500
2017	62,500	228,000	290,500
2018	62,500	228,000	290,500
2019	62,500	228,000	290,500
2020	63,646	232,180	295,826
Thereafter	273,321	997,072	1,270,393
	\$ 586,967	\$ 2,160,252	\$ 2,747,219

The future minimum lease obligation on the Seattle Center space is offset by a sublease, with expected future minimum rental income as follows for the years ending December 31:

2016		\$ 28,145
2017		28,989
2018		29,857
2019		30,757
2020		31,680
Thereafter		170,084
		\$ 319,512

As part of the leasehold improvement construction of the Seattle Center space, KEXP borrowed a line of credit from a financial institution due in 2018, secured by capital campaign pledges, grants and receipts and other personal property. Interest rate is 2.3% at December 31, 2015. Principal repayments are as follows for the years ending December 31:

2016		\$ 113,659
2017		150,000
2018		3,520,000
		\$ 3,783,659

KEXP entered into a construction contract in relation to its Capital Campaign totaling approximately \$5.5 million. The president of the construction company is also a board member of KEXP. KEXP incurred \$6,402,288 and \$63,331 of construction costs to this construction company during the years ending December 31, 2015 and 2014, respectively.

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**Note 9 – Employee Benefit Plan**

KEXP has adopted a 403(b) contribution pension plan for all full-time employees. The amount of KEXP's contribution to the plan is determined annually at the discretion of the Board of Directors. Contributions to the plan totaled \$178,675 and \$153,733 for the years ended December 31, 2015 and 2014, respectively.

**Note 10 – Related Entity Activity**

In 2005, the KEXP issued a note payable to the University of interest-free amount of \$250,000 to assist in restructuring staffing capacity. The intent of the funds has been fully executed. In accordance with the amended Management Agreement, the University requires repayments of the note payable through 2020. Repayments are as follows for the years ending December 31:

2016	\$ 25,000
2017	50,000
2018	50,000
2019	50,000
2020	50,000
	<u>\$ 225,000</u>

In 2014, KEXP acquired an FCC License, other intangible assets, and equipment from the University in exchange for a sponsorship obligation. All assets acquired were appraised at \$4,001,100. KEXP allocated \$115,613 of the appraised value to equipment based on estimated fair value, and the remaining value to the FCC License and other intangible assets. In lieu of cash repayments, the sponsorship obligation is satisfied by performing sponsorships for the University over a 10 year period. During 2015 and 2014, KEXP provided sponsorships valued at \$292,610 and \$78,355, respectively, to the University, and therefore recognized sponsorship revenue and reduced the obligation by this amount. Sponsorships performed as repayment of the sponsorship obligation are expected to be as follows for the years ending December 31:

2016	\$ 400,110
2017	400,110
2018	400,110
2019	400,110
2020	400,110
Thereafter	1,629,584
	<u>\$ 3,630,134</u>



**FRIENDS OF KEXP dba KEXP-FM**  
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**Note 10 – Related Entity Activity (Continued)**

In addition, the following transactions occurred between KEXP and the University during the years ended December 31:

	<u>2015</u>	<u>2014</u>
Support and revenues		
In-kind contributions	\$ 1,206,119	\$ 1,348,018
Use of sponsorship obligation	292,610	78,355
Underwriting contributions	24,038	63,367
Advertising	-	2,500
	<u>\$ 1,522,767</u>	<u>\$ 1,492,240</u>
Expenses		
In-kind information technology	\$ 144,719	\$ 316,373
In-kind fundraising and other fees for service	1,061,400	1,110,000
In-kind expenses	1,206,119	1,426,373
Payroll and related	35,757	-
Other expenses	186,030	100,433
	<u>\$ 1,427,906</u>	<u>\$ 1,526,806</u>

The following amounts are due to the University at December 31:

	<u>2015</u>	<u>2014</u>
Note payable	\$ 225,000	\$ 250,000
Sponsorship obligation	3,630,134	3,922,745
Other payables	26,817	21,785
	<u>\$ 3,881,951</u>	<u>\$ 4,194,530</u>

Other payables are included in accounts payable and accrued expenses on the statement of financial position.